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THE REUTER TRANSCRIPT REPORT
 HEARING OF THE SENATE SELECT INTELLIGENCE COMMITTEE
 SUBJECT: OPENING IMAGERY TECHNOLOGY TO COMMERCIAL
 INTERESTS

CHAired BY: SENATOR DENNIS DECONCINI (D-AZ)

WITNESS: R. JAMES WOOLSEY, DIRECTOR, CENTRAL INTELLIGENCE
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SEN. DECONCINI: Director Woolsey, thank you for being with
 us today, and I understand your schedule requires that you leave
 after your statement and that you prefer not to go into
 questions. Let me just comment that I hope you can be at least
 as frank and open as you were with some of the news stories that
 I've heard, that you're on -- escorting people through the CIA
 -- (laughter) -- which I wholly support. I think it's very, very
 important that the public know more about that agency. And I
 believe there are many, many avenues that you can do that
 without jeopardizing our national security.

I need to ask you questions on the subject matter, which I
 had an opportunity to do in the closed session, because I am
 very concerned about the implementation and the rule-making and

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the procedures and moving along with your leadership which you -- which I compliment you for addressing this as you told us you would do both at your

confirmation hearing and in the June closed hearings, and you have kept your word and moved forward. I just want to encourage the agency and the other agencies involved here to continue this progress and move towards the procedure so that some of these licenses may be approved. I think it is very, very important.

And having said that, I will yield to you now for your statement.

MR. WOOLSEY: Thank you, Mr. Chairman. I appreciate your kindness in this and many other things. And, of course, at any time I'm available to answer questions on this in executive session.

I welcome this opportunity to update the committee on the intelligence community's efforts in conjunction with our colleagues and other agencies to support resolution of the foreign satellite sales issue. Over the summer, the intelligence community has been involved with developing concepts for managing reconnaissance proliferation while underscoring the policy that I approved for the community in June. Let me briefly review the intelligence community's position on this complicated issue.

First, of course, I intend to fulfill my statutory responsibility to protect intelligence sources and methods. This requires a clear understanding about what needs protection and what does not. As I'm sure you're aware, over the past several months, the intelligence community has made important strides toward establishing procedures to support release of intelligence products or technology. For example, we no longer maintain a blanket opposition to the release of some substantive data and will consider the release of certain U.S.-originated technology for use by some -- I repeat some -- foreign governments. By the same token, our efforts to protect what still needs protection must not diminish.

Second, the community must retain the ability to provide unique imagery-based information to U.S. policymakers and to military consumers. We must maintain our edge in satellite reconnaissance, including capability, capacity and technological innovation. This last item is key if we are to leave ourselves in position to address new and emerging problems.

Third, the ongoing imagery relationships that we maintain with many of our allies are an important part of overall U.S. foreign policy. Although these relationships evolve over time,

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it's critical and in our best interests to manage any proposed changes.

Two key points are apparent. First, the foreign interest in satellite technology and products is real. Over time, the list of credible suppliers who have the capability to develop, sell and exploit satellite collection technology and product has increased.

Foreign capabilities need not equal ours to offer a product that meets some customer needs and also has significant national security effects.

For example, the one meter imagery now being proposed for sale commercially would provide a great deal of information on the activities of a potential adversary. When used in conjunction with accurate positioning data, it can be used for targetting. The U.S. role in contributing to this capability being available to any user at any time with or without the consent of the U.S. government must be carefully considered, to put it mildly.

Second, the United States remains preeminent in remote sensing. We have substantial potential to exert leverage on the market in ways that simultaneously protect this country's national security interests and create some increased opportunities for U.S. industry.

The intelligence community shares the committee's concerns over the U.S. industrial base. Our U.S. capability today is the direct result of a four-year partnership between the intelligence community and the private sector. Because of -resource cutbacks, we are struggling to ensure our continued -technological superiority. This problem concerns us greatly.

I might add parenthetically here, Mr. Chairman, a year ago last summer when I chaired a review for then-Director Gates of the satellite reconnaissance capability for the country, my panel spent a great deal of time focussing on the importance of the industrial base and conferring with the relevant parts of the aerospace industry on this important subject. It's something -- it's an obligation that I and the other members of the intelligence community who work on this issue take very seriously.

Admiral Studeman, the Deputy Director of Central Intelligence, and I have been investigating a number of options in an attempt to balance the needs of the intelligence community, the U.S. industrial base, and the long-term policy interests of the United States. These options are not yet fully developed. We're working to identify those capabilities that are so sensitive that the community must retain final authority over

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their use, those that are less sensitive but still require intelligence community involvement in any decision, and those which are so widely available that community input is not really necessary. We're exploring different ways of bringing U.S. capabilities to bear in the international market while protecting U.S.

security interests and maintaining a robust intelligence collection capability. Meanwhile, intelligence community policy allows us to make recommendations on the various commercial applications now before the government. And we are doing that in each case now, Mr. Chairman.

In sum, this issue makes new demands on the full government -- executive, legislative, and even judicial branches -- to balance opportunities, challenges, and responsibilities that are often in conflict with each other.

We all accept the need to push this country's technological prowess forward in the world commercial market, however, we must at the same time protect those intelligences source and methods that still need protecting, avoid increasing the risk to U.S. and allied forces, keep relations with other countries on an even keel, preserve our edge in intelligence collection.

This ongoing process involves many participants across our government. Three central ones other than the intelligence community are represented at this table.

We've demonstrated in the past the ability to work together across organizational boundaries. The successes of the past, coupled with our mutual desire to protect the interests of the United States, including U.S. industry, suggest that a balanced approach to this issue is achievable.

SEN. DECONCINI: Director Woolsey, thank you, and I'm not going to ask any questions in accordance with your request. I am going to state, however, that I appreciate your being here today and also urge you to devote the time and efforts and energy to see that the new policy and procedures are carried out and I have no doubt that you will meet the maximum responsibility of your directorship to protect the security of the United States, and -- but having said that, I really am of the level that I feel that we need to move on this and it needs a higher priority. I hope that will be dispelled by the other witnesses before us here today that everything is being done that possibly can be done, and that there is nothing that can be -- action that can be taken that hasn't been taken because of the time and the restraints and the national security reasons. I have a feeling myself -- and much of it comes from industry -- that more could be done to move this along on these licenses that are ending and implementing the procedures that you have set forth. However, I understand it's new and there is some trial and error and some caution here, but I urge you to continue your leadership in that area, and I will yield to the ranking member, Senator Warner.

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SEN. WARNER: Thank you, Mr. Chairman. First I tender to you and others my apology for being late. We have the defense authorization bill, that's another hat I wear here. I join in the comments made by the chairman and point out that I joined

last year with Senator Kerry in putting the amendment on the intelligence bill, which led, I think, to much of the developments we're listening to today. And I would say, also, Director Woolsey that I would hope that you would view this

policy statement that you've just given in much the same context that the Department of Defense is now viewing its responsibility to preserve America's industrial base and save the heavy technology industries, primarily submarine building and shipbuilding.

Here is an industrial base that's contributed to, candidly in my judgment, the success of the Cold War policy, and we need -- we know not when we may have to turn to them with the same degree of intensity as we did during that period. Nevertheless, I think we can view this policy as -- in the nature of preserving an industrial base for future contingencies that might face this nation.

MR. WOOLSEY: Thank you, Mr. Chairman and Senator Warner. I agree with what you said. We'll continue to work hard with our colleagues in the executive branch on this extremely important -- and, I might say also, extremely complex and difficult subject. -- And of course, either I or experts from the community are available at any time to answer questions on these issues in executive session.

SEN. DECONCINI: Thank you, Director.

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